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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 18, 2000

APPLICATION OF

GTE SOUTH INCORPORATED  
(Contel, Virginia)

CASE NO. PUC950010

Annual Informational Filing

FINAL ORDER

On July 20, 1999, GTE South Incorporated (Contel, Virginia) (hereinafter "Contel" or "the Company") filed its Motion to Declare Rates Not Subject to Refund and to Close Proceeding for the year 1994, covered in its Annual Informational Filing ("AIF") for that year. As indicated in said Motion, the Company and the Staff of the Commission agreed that this proceeding should be closed without the requirement of refunds and further agreed that in doing so, the Company should not be deemed to have conceded or waived its rights to continue to object to certain decisions made by the Commission in the Company's final rate order, issued in Case No. PUC950019, one of which affects the results of the Staff Report filed in this proceeding.<sup>1</sup>

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<sup>1</sup> The issue is addressed in Staff's Report of December 1, 1998; it is the reallocation of costs to the Company's calculation of its Part 36 interstate costs. This issue is pending appeal.

By Order of August 9, 1999, the Commission prescribed notice and invited comments or requests for hearing concerning Contel's Motion which were due on or before September 15, 1999. Proof of publication of the prescribed notice was filed September 15, 1999. In the absence of any requests for hearing and pursuant to the agreement between the Company and Staff, the Commission finds that Staff's Report filed on December 1, 1998, should be received into the record as evidence without the necessity of a hearing.

The only issue before the Commission is to determine whether Contel earned in excess of its authorized range of return on equity for Discretionary and Basic services for the year 1994. The Modified Plan for Alternative Regulation of Virginia Local Exchange Telephone Companies ("Modified Plan"), which became effective January 1, 1994, specifies the applicable return on equity range to be 10.55% to 12.55% for 1994 (Paragraph 18).<sup>2</sup> The Staff's Report reflects a calculation for intrastate tariffed services' return on average equity of 10.67%. Since that return is beneath the 12.55% limit of the Modified Plan and has not been contested, the Commission finds that during 1994, Contel earned less than the authorized maximum return on equity. Accordingly,

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<sup>2</sup> The Modified Plan was adopted by the Final Order of the Commission in Case No. PUC920029, issued on December 17, 1993.

IT IS ORDERED THAT:

(1) Contel's tariffed rates for the year 1994 are hereby made permanent for that year only. Such rates are no longer subject to refund as provided in paragraph 20 of its Modified Plan.

(2) There being nothing further to come before the Commission, this matter is dismissed and the record developed herein shall be placed in the file for ended causes.